

Total Compensation Advisory Council (TCAC)
Minutes of the Meeting of June 27, 2003

Present: Michael Coulter
Patty Goodwin
Katherine Newell
Deb Roberts
Phil Savage
Dave Schultheis

DPA Troy Eid
Ken Allikian
Jeff Schutt
Karen Fassler
Gena Trujillo
Jeff Woodhouse

Announcements: Mr. Eid called the meeting to order.

Mr. Eid asked for approval of the minutes of the May 23, 2003, meeting. The minutes were approved as written.

Cover Colorado: Ms. Trujillo informed the group of the Cover Colorado assessments that are expected for the 2004 plan year. In addition to any rate increases or changes that employees will receive next year, Cover Colorado assessments will be included. Cover Colorado is the entity that covers uninsured individuals that do not qualified for coverage due to health conditions. It used to be called Colorado Uninsured Health Insurance Program. In the past, it had the money to supplement the premium costs (\$1,200 a month) paid by those individuals on the plan (approximately 2,500) from the interest gained on the unclaimed property fund. A new regulation allows for Cover Colorado to assess the monies from insurance carriers via the individuals that are insured by those carriers.

The assessments are determined actuarially. The Division of Insurance is the regulator that comes back with how much of an assessment is going to be imposed on Colorado plans. Colorado plans means any insurance company that has fully insured plans or self-insured plans with reinsurance (stop/loss coverage). The carriers are required to assess these amounts back to their covered individuals.

This year the state was charged with paying \$7.24 per covered employee as an assessment, which was about \$100,000. In the reevaluation made by Cover Colorado for next year our first assessment is going to run about \$700,000. The amount per covered employee is at \$26.47. Some carriers are taking the assessment out monthly, others are assessing a one time charge. The state has not decided which way to charge the assessment at this point. The assessment is due May 1st. The statute 10-8-530 allows for assessments to occur twice a year. The 2nd assessment is expected in August or

September 2004. With the increase in the assessment over the last year, the assessment could be around \$2 million.

The Department of Personnel and Administration (DPA) will seek a supplemental but is unlikely to get it. It then becomes a question of how to assess it. The state's assessment will probably be added to administrative fees, but kept separate so it is very clear that it is for Cover Colorado and not for the cost of administering the plan.

Total Compensation Audit: Mr. Allikian distributed the recommendation locator from the Total Compensation Audit report. There were 10 recommendations by Milliman. Milliman has audited the total compensation program for the past three cycles under Buck Consultants. The link for the complete report is:

http://www.state.co.us/gov_dir/audit_dir/2003/2003perf/1510.pdf

The recommendations and the department's responses are:

- (1) Assess and report the impact the total compensation package has had on the state's ability to recruit and retain employees - agree. Representative Schultheis asked if anything was correlated with the economic conditions. Mr. Allikian agreed that economic indicators needed to be included.
- (2) Immediately develop the procedures to implement HB 03-1316 - partially agree because of a difference of opinion and experience with the concept of valuation.
- (3) Propose that the Governor's Commission on Civil Service Reform for review and consideration of allowing geographic pay - agree.
- (4a) Thoroughly analyze actual pay data collected during the survey and use this information when determining the competitiveness of state compensation levels each year and for recommending salary increase budgets - partially agree. The department currently measures ranges and market movement. The department will look at actual pay but past experience has been that it fluctuates too much due to uncontrollable market events.
- (4b) Use published compensation planning surveys to develop recommendations regarding structure adjustments for state pay ranges (either single structure or structures for occupational groups) - partially agree. The department will look before committing to use these.
- (5) Establish pay range widths that are consistent with "best practices" in the market and reflect organizational hierarchy and other work design objectives - agree.
- (6) Purchase and use salary surveys that include total cash compensation (base salary plus bonuses/incentives) - agree.
- (7) Adopt a single pay structure rather than using multiple pay ranges tied to various occupational groups - partially agree- the department will reduce the number of occupational groups but will not return to one pay grid.
- (8) Consider alternatives to current leave policies (adopt pooled leave and delete injury leave) - agree. Currently sick leave is the only leave specified in statute. That would need to be removed before the state could go with a pooled leave system. Mr. Eid noted that it is simply a matter of removing it from statute, like all other leaves, so the director

can address issues and consider the market. A principle of a pooled leave system is to preserve an employee's bank of leave. Mr. Schutt noted that as soon as the model is ready, the entire package will be released so employees can see what it really is.

(9) Select at least 75 percent of the total state jobs as benchmarks, but survey 1/3 of the classes annually - partially agree. The department matches everything possible, but may not be able to reach 75% due to the unique nature of some state jobs. Other professional compensation associations say 50% is adequate.

(10) Assess succession plans, career development initiatives, and internal skill sets related to the ability to conduct the survey - agree.

Governor's Commission on Civil Service Reform Update: There have been 15 - 20 public hearings held around the state. The preliminary reports are now on the website. For additional information on the Commission and its members, see the link below:

<http://www.colorado.gov/dpa/csdc/index.htm>

The higher education working group has recommended that there be a process for higher education governing boards to opt out of the state personnel system, provided the state personnel board approves their compliance with the general provisions in the constitution, including those of protection and the merit principle.

The outsourcing and privatization working group has recommended protecting state employees more than they are now, but remove restrictions to outsourcing. More could be outsourced but affected employees would be retained, retrained if necessary and placed in other jobs, including other parts of state government.

The HR group has recommended going to a concept that anyone qualified based on experience and education, etc., can be referred, instead of only the top three. The recommendation from the HR group on exemptions is to include division directors and those direct reports appointed by an executive director. It is recommended that the state personnel director be removed from constitution and defined by statute. Temporary appointments are recommended to change to "term" appointments or to a period longer than six-months. Interviews should be granted to all qualified veterans.

TCAC Appointments: There are currently three vacancies. The Speaker of the House, the President of the Senate and the State Personnel Director each choose one appointee. The Speaker of the House appointed Joe Nicolini from the Department of Corrections. The council will have two from Corrections and can have no more employees from that department. The President of the Senate has not made his choice. There are seven applications for the Director's consideration, but three are from Corrections, therefore, ineligible for an appointment.

Michael Coulter, Phil Savage, Art Barnhart and Katherine Newell are outgoing members and were recognized for their service on the council.

Tentative Agenda for August 1, 2003

Total Compensation Update
Civil Service Commission Update